

SEEKONK | Massachusetts

# FINANCIAL POLICIES



100 Peck Street  
Seekonk , MA 02771

Town of Seekonk  
Financial Policy Guidelines  
Adopted April 14, 2021

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## INTRODUCTION

The Town of Seekonk is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies as a whole are intended to outline objectives, provide direction, and define authority to help ensure sound fiscal stewardship and management practices. These policies are a living tool and shall be reviewed by the Town Administrator and designated staff on an annual basis and updated as necessary.

This document is intended to establish a set of financial management policies and not the procedures that identify the specific methods and actions necessary to carry out these policies. Policies are the terms and conditions which guide and direct the town in making financial management decisions. They are not hard and fast rules so that they may recognize extraordinary situations. Financial management policies are made to support strategies. In many instances, administrative procedures are or will be developed as tools to implement these policies.

### **Objectives:**

#### **The objectives of the Financial Management Policies are as follows:**

- A. To guide the Board of Selectmen, Finance Committee, and management staff in evaluating and implementing decisions that have significant impact on the Town.*
- B. To set forth planning and operating principles which require that the cost of government be clearly identified and that financial risk be minimized.*
- C. To employ balanced and fair fee and user revenue policies that provide funding for required and needed programs.*
- D. To regularly evaluate the Town's financial capacity to meet present and future needs.*
- E. To promote credible and sound financial management by providing accurate and timely information on the Town's financial condition to elected officials, staff, the public and external interests.*
- F. To ensure that current and future capital needs are addressed in a comprehensive and financially sound manner.*
- G. To promote improvement in the Town's credit rating and provide financial resources sufficient to meet the Town's obligations on all municipal debt and other long-term obligations.*
- H. To establish an effective system of internal controls that ensures the legal use of financial resources.*
- I. To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.*

## *GENERAL BUDGET POLICIES*

### Balanced Budget

#### **Background:**

All Massachusetts municipalities are required by state law to prepare balanced annual budgets. The Government Finance Officers Association (GFOA) notes a true structurally balanced budget is one that supports financial sustainability for multiple years into the future.

#### **Policy:**

The Town shall adopt balanced budgets in which current revenues (non-one-time) equal or exceed current expenditures. Expenditures shall be realistically budgeted and estimated revenues shall be conservatively budgeted to allow for unanticipated events. The Town shall present said estimates and assumptions behind revenue estimates along with the balanced budget.

The Town will not balance the budget by using one-time or other nonrecurring revenues to fund ongoing expenditures. The Town will not use budgetary procedures that balance the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to avoid making principal payments.

The Town budget shall also support a financially sound operating position by maintaining reserves for emergencies and providing sufficient liquidity to pay bills on time and avoid revenue anticipation borrowing.

### Submission of Budget and Budget Message

#### **Background:**

Two important principles of public budgeting are clarity and publicity. The GFOA considers the preparation of the annual budget document of great importance in providing detailed financial information and also explaining the key issues that face the community. It is also important to broadly distribute this information to the staff, elected and appointed officials and the general public in order to give them a greater understanding of the operations, financing and key issues confronting the community.

## **Policy**

The Board of Selectmen's budget proposal to Town Meeting shall provide a complete financial plan of all general and enterprise funds and activities for the ensuing fiscal year, an accompanying budget message, and supporting documents. The budget message from the Board of Selectmen shall explain the proposed budget for all Town agencies in fiscal terms and in terms of work programs. It shall outline the proposed financial policies for the Town for the ensuing fiscal year, describe the important features of the budget, indicate any major differences from the current fiscal year in financial policies, expenditures, and revenues, together with the reason(s) for such changes, summarize the Town's debt position, and include such other material as the Board of Selectmen deems desirable or Town Meeting may reasonably require.

The Town shall work toward the implementation of a budget document that meets the high standards of the Government Finance Officers Association (GFOA) "Distinguished Budget Presentation Award Program."

## **Revenue and Expenditure Forecast**

### **Background:**

A critical step in maintaining a sound financial plan is the preparation of a multi-year revenue/expenditure forecast(s). Long term financial planning, including revenue and expenditure assumptions, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

The Massachusetts Division of Local Services (DLS) states that a financial forecast, or multi-year revenue and expenditure forecast, allows a municipality to evaluate the impact of various government decisions over time.

A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow the Town Administrator and staff, the Finance Committee, and the Board of Selectmen to test various "what-if" scenarios and examine the fiscal impact on future budgets.

### **Policy:**

Each year the Town Administrator shall prepare and maintain a five-year Financial Forecast for General Fund and Enterprise Fund operations based on current service levels and current funding sources and including the five-year Capital Improvement Program.

The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of



an overall strategic plan. The forecast shall be designed to provide an outlook on the implications of changes in revenues and expenditures and allow for analyzing multiple scenarios. The forecast will: 1) provide insight into whether the current mix and level of resources in the General Fund are likely to continue to be sufficient to cover current service levels and capital projects; and, 2) identify the resources needed to maintain required enterprise fund operations and 3) estimate the impact on rate payers.

The Town Administrator, in cooperation with Town departments, will review fiscal assumptions every year when the forecast is updated and will use information that is timely and accurate in preparation of the forecast. The forecast and the associated assumptions shall be made available to the Board of Selectmen and the Finance Committee no later than upon submission of the Capital Improvement Plan.

## Position Control/Vacancies

### **Background:**

A large segment of a town's budget is its personnel costs. Failure to accurately monitor the personnel budget can lead to errors in budgeting, over or under staffing, incorrect grading, and other personnel costs.

### **Policy:**

The Town shall maintain a personnel system that accurately tracks authorized, filled and unfilled positions as well as their funding source. Annual budgets shall be prepared that account for all the costs necessary to cover positions that the Town intends to have during that budget period.

## Personnel Policies and Labor Contracts

### **Background:**

The Town has approximately 1,038 full and part-time town and school employees and a total of 7 unions and associations for the Town. For the purposes of these policies, the following definitions shall apply:

- Personnel Policies are the documents that represent the conditions of employment, wages, benefits, hiring, promotions, classifications, and many other categories of employer/employee relations. Collective bargaining agreements, as well as state laws and regulations, take precedence over the terms included in the Personnel Policy.
- Pay and Classification Plans are the schedules that identify employees by job category, job title, and union/non-union status on a typical Grade structure. Pay Plans are the

wage schedules that specify pay rates, typically on an annual step or merit system, for each union and non-union position.

- Memorandums of Agreement (MOAs) are the documents that represent agreement between a municipality and the various labor unions. They are created when a municipality and the respective union have reached agreement for a contract period about wages and working conditions.
- Collective Bargaining Agreements (CBAs) are the documents that incorporate the negotiated changes and represent the total agreement that exists between a municipality and a union.
- Side Letters are documents that represent a short-term agreement between a municipality and a union.

**Policy:**

Pay plans and pay rates shall be constantly monitored to ensure compliance with labor contracts, personnel policies, and accuracy. Contract proposals and agreements will be fully costed out to understand the short and long-term impact on Town finances. All new contracts should be sustainable with the consideration of all existing contracts. In order to foster transparency in the provision of employment agreements and benefits, the Town will prepare and maintain documents that are publicly available including personnel policies, pay plans, classification plans, memorandums of agreement, collective bargaining agreements, and side letters.



## *ENTERPRISE FUND POLICIES*

### Self Sufficiency and Rates

#### **Background:**

Enterprise Funds provide a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods and services. Under enterprise accounting, the revenues and expenditures of the service are segregated into a separate fund with its own financial statements, rather than commingled with revenues and expenditures of all other government activities. Enterprise accounting allows a community to demonstrate to the public the total cost of providing a service.

#### **Policy:**

Enterprise Funds (e.g., Sanitation Fund) shall be fully supported by the revenue from their rates, fees, and other revenue generating operations. The methodology for calculating indirect costs shall be explicitly documented and agreed upon by the Town Accountant, Treasurer and Enterprise Department heads, and Town Administrator.

Rates and fees for enterprise services shall be set at a level to provide for self- supporting enterprise operations, including direct and indirect costs. Capital projects shall be financed from enterprise revenues and grants.

Enterprise Funds shall be reviewed annually by the responsible board, commission, or department head to project revenues and expenditures for the next fiscal year and generate estimates of the current fiscal year and the projections for future years in order to prevent the need for subsidy by the General Fund operating budget. Estimates of capital project costs, debt service, and other liabilities shall be included in this analysis in order to project future enterprise fund budgets and revenues necessary to maintain self-sufficiency.

Specific to the Sanitation Enterprise, changes in the rates and/or rate structure shall be carefully analyzed prior to recommendation and implementation in order to ascertain the short and long- term impact on rate payers.

### Indirect Cost Allocations

#### **Background:**

To ensure all indirect costs associated with the Town's Sanitation enterprise fund are allocated in a manner that is reasonable and equitable, reflects the operations' true shared costs, and is easily replicable from year to year, this policy provides guidelines for the calculation, allocation,

and review of those costs. As an enterprise fund, the accounting for these services is recorded and managed separately from the general fund. This operation has separate financial statements, rather than commingling its revenues and expenses with those of all other governmental activities. Consolidating the program's direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the Town to demonstrate to the public the true, total cost of providing the services.

**Policy:**

As part of the annual budget process, the Town Accountant, with approval by the Town Administrator, will calculate the indirect costs to the general fund of the Town's sanitation department and will review the calculation with the department manager. The calculations will take into account all the related expenses of the Town departments that provide administrative services to the sanitation operations, which include the Town Administrator, Town Accountant, Treasurer, and Collector departments.

The Town Accountant will calculate indirect costs using the most recent fiscal year's appropriations and based on one or more of the following methodologies: actual, transactional, estimated support, and proportional. The following expenses shall be included in the calculations:

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation
- Pension costs
- Vehicle insurance
- Property insurance
- Administrative costs
- Audit services
- Actuarial services
- Legal services
- Information technology expenses
- Other costs that may be considered and agreed to, such as: printing, postage, materials, supplies, software, infrastructure, and fuel

The Town Accountant will maintain written instructions detailing the calculation methodology and will track and record operating transfers between the relevant funds.

*Options for Calculating Indirect Costs*

1. Actual cost uses specific schedules to provide documentation of indirect costs, which generally include debt service and life, health, and property insurances.
2. The transaction-based method is calculated based on the number transactions attributed to a service as a percentage of the whole. For example, the number of bills issued by the Collector for sanitation service as a percentage of the total bills issued. This percentage is applied against the Collector's total budget, including health and life

insurance, Medicare, retirement and any worker's compensation attributable to the department.

3. A department or official may be able to provide a reasonable estimate of support, or estimate of the average time spent to support a particular service. For example, the Town Administrator estimates that they spend on average four hours weekly, or 10 percent of their time, on sanitation-related activities (e.g., meetings, commitment/billing, budgeting, and clerical tasks). This percentage is applied against the department's or official's salary and benefits, including health and life insurance, Medicare, retirement and any worker's compensation.
4. The proportional method is a straightforward calculation of the sanitation department's direct budget (net of debt) as a percentage of the gross general fund (net of debt) and enterprise fund (net of debt) budgets. This percentage is applied against a town department's budget, including employees' benefits, that provides support to the sanitation department.

## *RESERVE FUNDS/FUND BALANCE POLICIES*

### **Background:**

Formal written policies that establish guidelines for funding and maintaining reserves can help a community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, the long-term cost to fund major projects. The discussion of reserves, and the attention of credit rating agencies, is generally focused on free cash, stabilization funds, and, sometimes, overlay surplus.

### *Free Cash*

### **Background:**

The Division of Local Service's Municipal Finance Glossary (May 2008) defines Free Cash as follows:

Free Cash (Also Budgetary Fund Balance) – Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the prior year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts.

Free Cash provides a financial cushion against events such as a sudden loss of a revenue source, an economic downturn, an emergency, or other unanticipated expenditure, non-recurring capital expenditures and uneven cash flow. Free cash can serve as a source for funding capital funds or replenish other reserves.

GFOA notes it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures).

DLS recommends that a municipality strive to generate free cash in an amount equal to 3-to-5% of its annual budget.

### **Policy:**

The Town of Seekonk will eliminate its dependence on free cash to fund the operating budget.

The Town will endeavor to transfer the following amounts of certified free cash into the following accounts:

|  |     |
|--|-----|
| ▪ Stabilization Fund                           | 15% |
| ▪ Municipal Capital Stabilization Fund         | 15% |
| ▪ Building & Infrastructure Stabilization Fund | 15% |
| ▪ OPEB Fund                                    | 15% |

Thirty percent (30%) of certified free cash will be available for capital or other one-time expenses.

Free cash will not be depleted in any year, so that the following year's calculation will begin with a positive balance. Therefore the Town will endeavor to maintain a target minimum balance of ten percent (10%) of unspent free cash from fiscal year to fiscal year. Conservative revenue projections and departmental appropriations shall be managed to produce excess income and departmental budget turn backs.

Free Cash may be used for certain one-time expenditures, such as major capital projects, emergencies, other unanticipated expenditures, or to replenish other reserves.

## Stabilization Funds

### **Background:**

A stabilization fund allows a Town to maintain a reserve to enhance the Town's fiscal stability. By state law, it allows a town to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose.

Under State law, a municipality may establish one or more stabilization funds for different purposes and may appropriate into and from them in any year. Generally, a majority vote of town meeting is required to establish, amend the purpose of, or appropriate money into a stabilization fund, and a two-thirds majority is required to appropriate money from a stabilization fund. Any interest generated by a fund must be added to and become a part of the fund. The total of all stabilization fund balances shall not exceed ten percent (10%) of a municipality's equalized values.

### **General Stabilization Policy:**

The Town shall maintain a General Stabilization Fund of not less than seven percent (7%) of the prior year's tax levy for the purpose of extraordinary or unforeseen expenditures. Until this target has been reached, a minimum of \$100,000 will be appropriated each year to this fund. The Town will endeavor to leave the stabilization fund balance unspent, except in the event of

an emergency or extraordinary or unforeseen events. If it is necessary to draw down from the General Stabilization Fund, the Town will ensure that it is restored through the appropriation of revenues such as free cash and/or one-time revenues.

**Capital Stabilization Policy:**

The Town shall maintain a special purpose Capital Stabilization Fund that shall serve as a funding source for the Town's capital improvement plan, including any associated debt service. The Town shall have a goal to maintain a Capital Stabilization Fund equal to a minimum of three percent (3%) of the prior year's tax levy. Until this target has been reached, a minimum of \$200,000 will be appropriated from the general fund operating budget each fiscal year to this fund. Each fiscal year, as pay as you go capital is expended from the Fund, the Town shall replenish the funds to the targeted policy goal.

## *CAPITAL IMPROVEMENT PLAN*

### **Background:**

Planning, budgeting and financing for the replacement, repair and acquisition of capital assets is a critical component of any municipality's budget and operation. Prudent planning and funding of capital assets ensures that a municipality can provide quality public services in a financially sound manner. It is recognized that a balance must be maintained between operating and capital budgets so as to meet the needs of both to the maximum extent possible. The development of a Capital Improvement Program (CIP) is the mechanism that a municipality uses to identify projects, prioritize funding, and create a long-term financial plan that can be achieved within the limitations of the budget environment. Adherence to this policy will help the Town meet its capital needs despite limited resources. A delay in necessary infrastructure upgrades will frequently require a catch up period to properly address problems caused by deferred maintenance and replacements.

Long term capital planning is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

### **Policy:**

In accordance with Category 2B of the Town's bylaws, the Capital Improvement Committee, in partnership with the Town Administrator and Town Department Heads, shall develop an annual and a long-range (3 to 5 years) capital improvement plan related to acquiring, maintaining and improving town-owned land, buildings, and equipment and infrastructure. The Capital Improvement Committee may develop and propose by-laws and policies for capital planning and improvement based on sound accepted business practices and any proposed by-laws shall require approval of Town Meeting.

Each Town department shall annually, no later than September 15th, provide the Town Administrator an inventory of existing assets, a clear statement of needs, and a justification for new capital items or projects. The department heads shall also provide information about the fiscal impact of the net cost to acquire each new capital item or implement each new capital project, an implementation schedule, and an indication of priority (high, medium, low), which will then be forwarded to the Capital Improvement Committee by the Town Administrator.

The Committee shall annually, no later than January 15th, prepare and provide a written recommended Capital Improvement Plan to the Town Administrator. The Town Administrator shall then submit his/her capital improvement recommendation with the annual town budget to the Board of Selectmen.

The Capital Improvement Committee's written recommendations shall be included within the annual town budget and annual town report, even if the recommendations are not acted upon by the Town Administrator and/or the Board of Selectmen.



The Capital Improvement Committee shall in every Fiscal Year provide an updated long range capital improvement plan to the Town Administrator and Board of Selectmen for review

To qualify as a capital expenditure, a proposed capital item or project must have a useful life of five years or more, and must exceed \$5,000 in cost.

At a minimum the following principals will guide the development of the CIP.

- The Town Administrator will prepare forms and instructions and coordinate development of the capital improvement budget.
- Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts, as appropriate.
- Federal, state, or private grants or loans shall be used to finance only those capital improvements that are consistent with the Town's capital improvement plan and priorities, and for which operating and maintenance costs have been included in operating budget forecasts.
- All assets shall be maintained at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
- Equipment replacement and building repair needs shall be projected for the next five years and will be updated each year. From this projection, a maintenance and replacement schedule will be developed and followed.
- Capital projects shall be prioritized based upon criteria established by the Town.
- The estimated costs and potential funding sources for each proposed capital project shall be determined before it is submitted to the Board of Selectmen and Town Meeting for appropriation.

## *CAPITAL IMPROVEMENT FINANCING AND DEBT MANAGEMENT*

### **Background:**

Debt management is essential to the overall financial planning of any municipality. Borrowing funds and repaying over a number of years allows the Town to finance essential projects that the town could not afford to pay from current operating dollars and also spread the cost to citizens who will be benefitting from the capital investment.

It is critical to develop policies and guidelines for the issuance, timing and tax impact of current and future debt. For those projects supported by user fees, it is important to identify the impact on user rates as a result of debt service costs.

For the purpose of these policies, the following definitions shall apply:

- General Fund Debt Service – All town debt service (non-exempt and Proposition 2 ½ exempt) excluding enterprise (Sanitation) debt service.
- General Fund Budget – The total amount raised by the town as reported on the tax recapitulation form less the amount reported as enterprise (Sanitation) revenue.
- General Fund Debt Service as a % of General Fund Budget - The percentage of the town's general fund budget that is allocated to debt service for capital investment.
- Sanitation Fund Debt Service – All town debt service for the Sanitation Department capital projects.
- Sanitation Fund Budget- The total amount of revenues reported on the tax recapitulation form for the sanitation enterprise fund which is the amount required to provide for a self-supporting sanitation system.
- Sanitation Fund Debt Service as a % of Sanitation Fund Budget- The percentage of the Town's Sanitation budget that is allocated to sanitation debt service for capital investment.
- Pay As You Go Capital Projects – Capital projects that are funded with current revenues (typically tax revenue, grants or user fees) and/or reserves (typically free cash or stabilization funds)

### **Policy:**

The Seekonk capital improvement program (CIP) shall be prepared and financed in accordance with the following policies:

- Outside Funding – State, federal, or private grant funding shall be pursued and used to finance the capital budget wherever possible.
- Debt Exclusion – Large projects, typically in excess of \$1 million, shall be funded by a Proposition 2 ½ debt exclusion vote in order to collect annual revenues sufficient to pay

the new debt costs and not impact funds necessary to maintain the annual town and school operating budgets.

- General Fund Debt – Smaller projects may be funded by non-exempt debt with a careful review of the timing and impact on the operating budget while also maintaining the town's investment in its capital infrastructure and equipment.
- Sanitation Fund Debt – The Sanitation Department operates as an enterprise and all costs (direct, indirect and debt service) shall be covered by sanitation revenues. Projects funded by debt shall have a careful review of the timing and impact on sanitation rates.
- General Fund Debt Service as % of General Fund Budget – The annual debt service requirement should not exceed 10% of the town's general fund annual revenues (excluding enterprise funds).
- Sanitation Fund Debt Service as % of Sanitation Fund Budget – The annual Sanitation fund debt service requirement should not exceed 20% of the Town's Sanitation fund annual revenues.

Pay As You Go Local Funding – The first source of capital investment shall be free cash. Even when a significant balance exists in this account, the Town will be cautious about the amount of funds to be used. After establishing a base of approximately \$200,000, the Town shall increase its capital investment by the same rate a regular budget growth. The Town will use modest amounts from the capital stabilization or other reserves above target levels to fund pay-as-you go capital needs. In the event that annual deposits into the capital stabilization fund change significantly, the Town will revisit this capital funding policy.

#### Debt-Financing/Borrowing –

- The term of borrowing for a capital project shall not exceed its estimated useful life.
- The Town will attempt to maintain a long-term debt schedule such that at least 50% of its outstanding principal will be paid within 10 years to 15 years
- The Town will strive to issue level principal debt such that debt service will decline over the term of the issue as another means to mitigate risk regarding this funding source.
- For any capital item funded by debt, cost of borrowing, including estimated principal and interest by fiscal year shall be projected in report.
- The strategy of utilizing "level debt service" versus "level principal and declining interest cost" shall be analyzed before borrowing is authorized.
- Refunding opportunities will be evaluated annually to consider the possibility of future interest cost savings. The Town will consider a refunding of existing bonds should present value savings equal or exceed 2-6% of the amount of the bonds being refunded.

## GRANTS MANAGEMENT POLICIES

### **Background:**

DLS recommends analyzing current and future impact of grants on operating budget, capital improvement program, and debt management.

The Government Finance Officers Association (GFOA) recommends that governments establish processes to promote awareness throughout the government that grants normally come with significant requirements.

### Grant Administration

#### **Policy:**

The Town shall ensure that grants are efficiently and appropriately managed by the respective Boards/Commissions/Committee/Departments who receive the grant. Prior to acceptance of a grant award, the Town shall consider any specialized requirement(s) that apply to the general operations of the grant, specific compliance rules, monitoring of other parties (e.g., sub-grantees) that may receive resources from the grant, specialized reporting requirements, and any long term commitments required by the grant, such as the requirement - either as a condition of the grant itself or politically - to financially maintain a program or asset after the expiration of the grant, among other considerations.

Effective grant management helps promote the pursuit of grants that are in the Town's best interest and assure the timely reimbursements to optimize cash flow, and to guard against year-end account deficits. As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding.

No department shall expend grant funds, until after a fully executed agreement has been accepted and approved for expenditure by the Board of Selectmen (or the School Committee, when applicable). Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

The Town Accountant is responsible for consulting with departments on grant budgetary matters, accounting for grants in the general ledger, monitoring grant expenditures in excess of revenues and distributing monthly reports of grant expenditures to departments. The Town Accountant will also maintain a database of all grants and grant activity from inception to closure. The Boards/Commissions/Committee/Departments is responsible to ensure consistency with award requirements and tracking the timeliness of reimbursement requests.

## Impact on Operating Budget

### **Policy:**

When positions are funded by grants, the current and future impact on the operating budget shall be analyzed. When allowable, the cost for providing benefits, such as health insurance, should be included in the grant budget to cover the Town's cost for providing that benefit.

## Impact on Capital Improvement Program

### **Policy:**

When grants are accepted for capital purposes, the Town shall include in its capital improvement program any share of costs associated with the grant and project the Town's share of debt service in its debt management plan. Any future increase or decrease in operating costs associated with the grant should be identified in the Town's revenue /expenditure forecast.

## *POLICIES REGARDING ESTABLISHMENT OF FEES*

### Fees and Charges

#### **Background:**

The Government Finance Officers Association (GFOA) recommends that when certain services provided especially benefit a particular group, governments should consider charges and fees on the service recipients. Well-designed charges and fees not only reduce the need for additional revenue sources, but promote service efficiency. Regular and consistent review of all fees is necessary to ensure the costs associated with the delivery of specific services have been appropriately identified and that a municipality is collecting reasonable charges.

The Division of Local Services recommends communities adopt written policies for setting charges and fees. A policy should identify what factors are to be taken into account when pricing services. It should also state whether the community intends to recover the full cost of providing the service or benefit and under what circumstances a charge or fee is set at less than full recovery (e.g., debt exclusion or other subsidy). Such a policy and the fee structure should be reviewed periodically to ensure they remain current, and both should be communicated with the public clearly and openly.

#### **Policy:**

Town fees and charges shall be reviewed periodically in relation to the cost of providing the service. The Town will compare rates with nearby communities to determine if the fees established are competitive. The Town may decide against full cost recovery where greater public benefit is demonstrated. Exceptions to full recovery costs include cases where: the fee maximums are established by the General Laws of Massachusetts (MGL) or where a policy decision has been made otherwise.

In accordance with Category 5B of Town's bylaws, the Board of selectmen, when establishing any fee as authorized by a Town of Seekonk Bylaw or by a Massachusetts General Law, shall encourage public participation and fiscal accountability in setting the amount of such fee.

Each board, committee or department shall observe the provisions of M.G.L. c.40 §22F in setting any fee. Each year while preparing the Town's annually operating budget for the ensuing fiscal year, each board, committee and department that is authorized to charge a fee for service shall analyze the cost of providing such service and recommend any appropriate revisions to the Board of Selectmen.

## *USE OF ONE-TIME REVENUE*

### **Background:**

The Government Finance Officers Association (GFOA) recommends that communities develop guidance on the use of one-time revenues to minimize services disruptions due to the non-recurrence of these sources.

The Division of Local Services states that funding operations with one-time revenues, without identifying future available offsets, effectively postpones difficult decisions necessary to achieve a structurally sound, sustainable spending plan. One-time revenue is usually defined as nonrecurring revenue.

### **Policy:**

The Town shall reduce its use of free cash for the operating budget by at least \$50,000 each year until it ceases using one-time revenue sources for recurring costs in the annual Town operating budget. One-time revenues shall be appropriated to reserve funds, used to fund one-time budget or capital costs, and/or address unfunded liabilities.



## UNFUNDED LIABILITIES

### **Background:**

Defined as “the actuarial calculation of the value of future benefits payable less the net assets of the fund at a given balance date”, unfunded liabilities represent a significant financial obligation for all levels of government across the country. In Seekonk and other Massachusetts municipalities, the two primary unfunded liabilities are for Pensions and Other Post-Employment Benefits (OPEB).

### Pensions/Retirement

#### **Background:**

The Contributory Retirement System is a defined benefit program that is governed by Massachusetts General Laws, c.32 and is regulated by the Public Employee Retirement Administration Commission (PERAC), a state entity responsible for the oversight, guidance, monitoring, and regulation of Massachusetts' 105 public pension systems. Funding for this system covers the costs of employees who are part of the Town's retirement system, which does not include teachers, as their pensions are funded by the State. The Town of Seekonk is a member of the Bristol County Retirement System and pays an annual pension assessment to the County. Pursuant to current state law, the Bristol County Retirement System has established a funding schedule to fully-fund this liability by the end of FY2034.

#### **Policy:**

In accordance with state law, PERAC regulations and government accounting standards, the Town shall continue to fund this liability in the most fiscally prudent manner, recognizing the fact that the adoption of a funding schedule is, by law, the responsibility of the County Retirement Board.

### Other Post-Employment Benefits (OPEB)

#### **Background:**

OPEB consists primarily of the costs associated with providing health insurance for retirees and their spouses. The Government Accounting Standards Board (GASB) issued Statements No. 43 and No. 45 in 2004 to address the OPEB issue. GASB 43 required the accrual of liabilities of OPEB generally over the working career of plan members rather than the recognition of pay-as-you-go contributions, while GASB 45 required the accrual of the OPEB expense over the same period of time. The reporting requirements of GASB 43 and 45 include disclosures and schedules providing actuarially determined values related to the funded status of OPEB. This

requires that the accrued liabilities be determined by a qualified actuary using acceptable actuarial methods.

**Policy:**

While there is currently no legal requirement to fund OPEB, the Town recognizes the importance and financial advantage of initiating early and regular funding for these long-term obligations. The Town will endeavor to appropriate fifteen percent (15%) of certified free cash per year into the irrevocable trust established under MGL c. 32B, §20.

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Board of Selectmen and the Finance Committee in their budget decision-making duties, and it also applies to the OPEB-related job duties of the Treasurer and Town Accountant.

In order to determine the funding schedule, the Town shall continue its current practice of having an independent actuary prepare biennial valuations, which is in compliance with GASB's requirement. Careful consideration shall be given to identifying the investment vehicle that offers the best rate of return in the safest possible environment.

OPEB Funding Strategies

To address the OPEB liability, decision makers will annually analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB trust fund from taxation, free cash, and any other legal form. Achieving full funding of the liability requires the Town to commit to funding its annual required contribution (ARC) each year, which is calculated based on actuarial projections. Among strategies to consider for funding the ARC:

- Transfer unexpended funds from insurance line items to the OPEB trust fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Determine and commit to appropriating an annual portion of free cash.
- Appropriate an annually increasing percentage of yearly revenues.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB trust fund the amount equivalent to the former pension-funding payment or the ARC, whichever is less.

## *RISK MANAGEMENT POLICIES*

### **Background:**

In recognition that during daily operations, a municipality is constantly exposed to potential impact of property loss, personal injury, and liability, the Government Financial Officers Association (GFOA) recommends that governments develop a comprehensive risk management program that identifies, reduces or minimizes risk to its property, interests, and employees. Costs and consequences of harmful or damaging incidents arising from those risks should be contained.

### **Policy:**

The Town's insurance programs shall be aimed at covering the potential impact of the types of property loss, personal injury, and liability the Town is exposed to on a regular basis. The Town shall develop and maintain a risk management program to protect the Town against the financial consequences of accidental loss of property, liability, fraud and personal injury to the extent possible through effective prevention and loss control policies and practices.

## *ACCOUNTING/AUDITING/TREASURER/COLLECTOR/FINANCIAL REPORTING POLICIES*

### *Annual Audit*

#### **Background:**

The objective of an audit is to obtain independent assurance that a community's year-end financial statements are reliable, accurate, and complete. An audit also helps to ensure that financial checks and balances are in place to protect public assets. Consequently, it can be a powerful tool by which a community can build taxpayer confidence in government operations.

The Government Finance Officers Association (GFOA) recommends that communities engage the same auditor by entering into multiyear agreements, or a series of one-year contracts, for a term of at least five years. A multiyear agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years.

However, after this term, the GFOA recommends a full, competitive selection process and a rotation of auditors after each multiyear agreement, provided there is adequate competition among qualified auditors. Contracting with a new audit firm not only brings a fresh perspective, but it also reflects good practice.

Where competition is limited, participation of the current auditors is acceptable, assuming their past performance has been satisfactory and conformed to industry standards. In the event the Town chooses to remain with an audit firm, it is advisable to rotate the audit manager on a regular basis.

#### **Policy:**

The Town will utilize accounting practices that best conform to generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB).

The Town shall have an independent outside audit performed by a certified public accountant each year. The Board of Selectmen shall provide for such an audit by an accountant or a firm of accountants, who have no personal interests, direct or indirect, in the fiscal affairs of the Town government or of any of its officers or employees. The Town will require that each year, a Management Letter be provided as part of the independent public accounting firm as a companion document to the annual audit. The Town will either re-advertise for auditing services every nine to twelve years or ensure that there is a regular rotation of audit managers within a particular firm if it elects to stay with a given audit firm. The Town will strive to have the annual audit completed by the end of March.

## Comprehensive Annual Financial Report

### **Background:**

A Comprehensive Annual Financial Report (CAFR) is a set of Government financial statements comprising the financial report of the municipal entity that complies with the accounting requirements promulgated by the General Accounting Standards Board (GASB). GASB provides standards for the content of a CAFR in its annual updated publication Codification of Government Accounting and Financial Reporting Standards. A CAFR is compiled by the municipal accounting staff and audited by an external Certified Public Accounting firm utilizing GASB requirements. It is comprised of three sections: Introductory, Financial, and Statistical. It combines the financial information of fund accounting and Enterprise Authorities accounting.

### **Policy:**

The Town shall work towards the preparation of a Comprehensive Annual Financial Report (CAFR) that meets the criteria established by the GFOA's Certificate of Achievement in Financial Reporting Program. This program encourages the preparation of a comprehensive report that goes beyond the annual audit report and presents information that enhances government transparency and disclosure.

## Monthly Reporting

### **Background:**

Monthly reporting helps a community to determine whether sufficient funds are available to cover current obligations, any surplus can be invested, or shortfall exists requiring temporary borrowing. It enables the Town to take prompt management action in the event that fiscal problems are indicated or adjust spending behavior to meet financial challenges.

### **Policy:**

The Accounting Department shall produce and distribute to Department heads monthly budget-to-actual reports. The Town Administrator, or his designee, the Town Account, and Department Heads will meet on a monthly basis to review departmental revenues and expenses in order to ensure that budget forecasts are on target. If financial problems are indicated, the Accountant will review with the Town Administrator a monthly report of revenues and expenditures at the line item level.

## Cash Flow Forecasting and Budgeting

### **Background:**

The purpose of cash flow forecasting is to determine whether sufficient funds are available to cover current obligations, any surplus can be invested, or if any cash shortfall exists which may require temporary borrowing.

The Division of Local Services recommends maintaining a cash flow budget to forecast investment opportunities or borrowing needs. Major revenue sources like property taxes and state aid are generally received in large, lump sums at specific points in the fiscal year and do not necessary coincide with expense patterns, which often results in cash surpluses or shortfall during certain periods of the year.

The Government Finance Officers Association (GFOA) also recommends cash flow forecasting as a best practice. When used as a cash management guide, it can lead to the optimized use of funds as well as insure sufficient liquidity.

### **Policy:**

The Treasurer/Collector will develop a cash flow forecast for the upcoming fiscal year after approval of the annual budget and before July 1 each year.

## Cash Collections

### **Background:**

One of a government's functions is to collect taxes and other revenues. The process involves many partners including the Treasurer/Collector's office, accounting office, legal counsel, tax assessor, other departments or agencies, other governments at the state and/or local level, commercial banks, and private collection agencies.

### **Policy:**

The Town shall collect all revenue using fair and consistent methods, exercising all powers provided to it under law.

On or before September 1st, the Town shall commence tax title proceedings against all properties that owe property taxes to the Town.

The Treasurer/Collector shall establish and maintain reliable record keeping systems and enforce a timely collections process. All amounts committed must be supported with a warrant and a detailed listing of all amounts due. All monies received should be turned over to the

Treasurer/Collector's office at least weekly, or more often if the receipts exceed \$250, so they may be deposited in the bank in a timely manner. Individual departments are responsible for maintaining supporting documentation for each turnover.

The Treasurer/Collector shall aggressively pursue the collection of delinquent accounts and with assistance from the Deputy Collector and other Town officials to pursue collection of outstanding real estate taxes, personal property taxes, excise taxes and fines. The execution of a systematic and deliberate program to collect taxes owed is intended not only to capture revenue, but also to establish a clear policy that tax delinquents will be aggressively pursued. The Treasurer/Collector shall execute in a timely manner collection remedies such as issuance of demands immediately after bills become past due and initiate tax taking shortly afterwards to increase the rate of collection of municipal monies, thereby assisting in the financial stability of the Town.

## Reconciling Cash and Receivables

### **Background:**

Two of the largest assets for a community are cash and receivables. Information pertaining to these is kept by the Treasurer/Collector, and the Accountant. A Treasurer is the custodian of the community's revenues, tax titles, and tax possessions, while a Collector keeps listings of outstanding receivables due to the community, and an Accountant is responsible for maintaining the accounting records. Prompt and frequent reconciliations between these offices are essential in order to maintain control and ensure checks and balances are in place.

### **Policy:**

The Treasurer/Collector shall strive within thirty days after the end of each month, to internally reconcile the cashbook to all bank statements, and the Treasurer/Collector shall internally reconcile all receivable balances with the receivable control, but at no time shall the reconciliation exceed sixty (60) days. The results of these activities shall be forwarded to the Accountant's office and compared to the general ledger records. If differences are determined, the Treasurer/Collector and Accountant shall reconcile the variances (e.g., missing information, errors, and timing differences).

The Town shall reconcile revenues and expenditures for each fiscal year within one to two months of the end of the fiscal year.

## Accounts Payable/Disbursements

### **Background:**



To mitigate the risk of fraud and ensure the Town disburses cash only for valid legal liabilities, this policy establishes guidelines for the expenditure of Town funds. This policy applies to the job responsibilities of the Finance Director, Town Accountant, Treasurer/Collector, Assistant Treasurer/Collector and to the warrant approval duties of the Board of Selectmen. It further applies to all department heads and elected or appointed officials who submit requests for expense and payroll disbursements (all referred to here as “department heads”).

**Policy:**

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review and approval of the Finance Director and Board of Selectmen, with the exception of payroll direct deposit files, payroll tax payments, and emergency veteran payments. Accordingly, the Finance Director is responsible for finalizing every AP and payroll warrant, and the Board of Selectmen’s warrant approvals must be evidenced by a majority of their signature prior to any disbursements being done.

The Treasurer/Collector shall secure prepared checks in a safe until distributed. Payroll expenditures must be based on approved time and attendance records and be consistent with collective bargaining agreements or individual employment contracts.

Vendor payments must be based on original invoices and made only to entities with valid form W-9s on file. As a tax-exempt organization, the Town will not pay sales tax on any expense, including any employee personal reimbursement.

The Treasurer/Collector is responsible for maintaining a database of active Town employees and all retirees, including salaries, pay rates, stipends, weekly work hours, earned leave time, benefit options, and withholdings. Any change to an employee’s employment status, work hours, leave accrual rate, or compensation rate can only be made by the Treasurer/Collector based on the Employee Personnel Change forms and signed by the appropriate department head, Finance Director, and Town Administrator.

On a weekly basis for AP and bi-weekly for payroll, department heads must review, approve, and submit AP requests to the Finance Director and payroll requests to the Treasurer/Collector. For each AP or payroll submission, the tasks below will be completed.

**Department Heads:**

- Review departmental invoice entries in the Munis AP invoice entry module to verify the appropriate accounts are charged.
- Reconcile the Munis batch total to the invoice and receipt totals.
- For every new contract, submit supporting documents showing that procurement requirements have been met.
- Submit the signed Schedule of Bills Payable indicating the total department submission, Munis batch number, and warrant date, along with all the original invoices or receipts to the Finance Director.

- In ExecuTime, review and approve departmental payroll entries of hours worked by date and pay type (e.g., regular, overtime, holiday, etc.) and any accrued time used (e.g., vacation, personal, sick).

#### Treasurer/Collector's Office:

##### Senior Clerk – Treasurers Office:

- Review and accept departmental input file and data entry from satellite departments.
- Generate a payroll proof to review, and have satellite departments also review/approve their entries
- Assistant Treasurer/Collector reviews proof and verifies federal and state wages are in agreement
- Prints final proof and a condensed proof for the Finance Director to include with the warrant
- Transmits files to the bank for direct deposit and check files for positive pay and reconciliations.

##### Senior Clerk – Collector's Office:

- Reviews all pending refunds
- Applies pending refunds to any pending tax obligation
- Submits remaining credit for AP disbursement

##### Treasurer/Collector (Assistant Treasurer/Collector):

- Reviews all the warrants for the week, to ensure proper funding
- Funds account to cover Town/School AP weekly and Town/School Payroll bi-weekly (which includes the Town's portion of the Medicare tax)
- Wires funds to pay any debt service, meals tax, etc. if applicable

#### Finance Director:

##### Payroll

- Review and approve condensed payroll proof.

##### Accounts Payable

- Review each AP submission for accuracy, original invoice, and signature.
- Contact the department head if any information is missing.
- For any new contract, confirm that proper procurement procedures were followed.
- Verify that the expense is for a legal purpose, the appropriate account is being charged, and funds are available.
- Include the expense with the warrant or delete and return the submission if any of the above cannot be validated.
- Prepare and submit the warrant to the Board of Selectmen for approval.

##### Board of Selectmen:

- Review each warrant for appropriateness by examining invoices, back-up documents, and payroll detail, and direct inquiries to the Finance Director.

- Approve and sign the warrant.

#### *Emergency Disbursements*

If there is an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Treasurer/Collector may issue a manual check with the written authorizations of the Town Administrator and Finance Director. In such case, the department head will enter the disbursement into Munis to be processed as a no-check on the next accounts payable warrant.

#### *Prior Fiscal Year Bills*

To maintain the integrity of the annual budget, departments will charge all invoices to the proper fiscal year. In the event a department has an invoice for a prior fiscal year, it shall be submitted at a town meeting to authorize the payment and funding source. The appropriation can only be approved with a four-fifths vote of annual town meeting or a nine-tenths vote of a special town meeting.

## Petty Cash

### **Background:**

The municipal finance laws of the Commonwealth of Massachusetts prescribe standard methods for paying vendor and payroll obligations of the Town. These methods are intended to make certain that assets, liabilities, revenues, expenditures, and fund balances of the Town are accurately accounted for and that Town funds are only used in accordance with the budget, grant awards, trust agreements, and state, federal and local laws. The municipal finance laws specify that unless otherwise authorized, all funds of the Town are to be paid into the Town treasury and can only be expended with the prior written approval of the appropriate department head, the Town Accountant, and the Town Administrator.

### **Policy:**

In recognition of the fact that there are certain limited situations where operating departments of the Town need expenditure flexibility for small purchases that is not available under the standard vendor payment system, the Town Accountant and the Town Administrator have authority to authorize individual petty cash advances of not more than \$200. All such petty cash requests or changes to the limit authorization shall be submitted in writing to the Director of Finance, Treasurer/Collector, and the Town Administrator. All authorizations must be in writing and must include identification of a Town employee who is required to assume personal responsibility for petty cash funds in their custody prior to funding of the petty cash advance. Petty cash custodians are also required to acknowledge agreement with the Town's policies governing the use of petty cash advances prior to the disbursement of the cash to create petty cash accounts from the Town treasury. Petty cash advances are to be kept in a secure location at all times.

Prior to the disbursement of any petty cash funds, the custodian must obtain an original receipt for an authorized purpose from either the vendor providing goods or services or the employee requesting reimbursement. The sum of petty cash disbursement receipts and cash on hand must total the authorized amount of the petty cash account at all times. Unannounced physical counts of petty cash accounts may be performed by the Town Accountant and/or the Town's independent auditors at any time.

Petty cash advances can only be used for the following purposes:

- Provide change to customers when a department collects fees or levies charges on users of services provided by the department.
  - Fee and user charge income is not to be commingled with petty cash funds.
  - Fee and user charge income is to be deposited with the Town Treasurer, with supporting documentation at least weekly, or more frequently as soon as the total amount of collections exceeds \$250.
- Purchase materials, supplies, and services where the amount of a single purchase does not exceed \$20. Copies of original vendor receipts must be obtained in support of all such purchases.
- Legal recording fees.
- Tolls, parking charges, and vehicle use reimbursement at the official rate established by the Town, for in-state travel related to the official business of the Town.
- Veteran benefit payments.

Petty cash advances cannot be used for any of the following purposes:

- Payment of compensation to any employee of the Town.
- Purchase of meals, alcoholic beverages, tobacco products, or entertainment.
- Purchase of gifts.
- Out-of-state travel expenses.
- Vehicle use reimbursements in excess of the Town's standard vehicle use rate.
- Cashing of personal checks.
- Personal advances or loans.
- Any individual purchase of greater than \$50.

Petty cash expenditures may be submitted for reimbursement as frequently as deemed necessary by the custodian of each petty cash advance, but not less frequently than monthly. Petty cash reimbursement requests are to be made through the Town's standard accounts payable process, with supporting original receipts and identification of the appropriate expenditure budget accounts to be charged. All such reimbursement requests must be signed by the custodian of the petty cash advance.

Periodically the petty cash custodian in the department should submit all documentation on an Accounting Processing Form to the Director of Finance as part of the accounts payable process in order to replenish the petty cash account. This replenishment must be completed prior to the final warrant of the fiscal year. The petty cash account will only be replenished by the

Treasurer/Collector based on review of the documentation submitted through the warrant process. If there have been any inappropriate uses of the petty cash account the account will be terminated. Inappropriate use shall be those activities not allowed by Massachusetts General Law or those listed above.

Petty cash custodians are required to provide the Town Accountant with an annual accounting of their petty cash activity at June 30 of each fiscal year, which shall be reconciled in accordance with the Uniform Massachusetts Accounting System.

## Tailings

### **Background:**

To minimize the liability posed by uncashed checks and the associated negative impact on Town's cash position certainty, this policy sets guidelines for the timely resolution of tailings. A tailing refers to an issued but uncashed check, which represents a debit liability on the Town's books. It can arise from any Treasurer's disbursement to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Tailings constitute unclaimed property under M.G.L. c. 200A. Accepting § 9A of that chapter enables the Town to expedite the tailing resolution process and prevent the eventual escheatment of the funds to the State Treasurer, as otherwise required. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

### **Policy:**

In accordance with § 9A and the Town's Disbursements policy, every check issued by the Treasurer will include this language on its face: "Void if not cashed within one year of issuance." At a consistent time once each year, the Treasurer/Collector (or Assistant Treasurer/Collector) and Town Account will work together to resolve accumulated tailings, either by prompting the actual pay out or through escheatment to the Town.

### *Yearly Review*

At least once a year, the Treasurer will review the accumulated inventory of stop-paid tailings and do the following:

- At least once a year, the Treasurer/Collector (Assistant Treasurer/Collector) will identify all checks that are uncashed more than one year after issuance and notify the bank to stop payment on them.
- Treasurer/Collector (Assistant Treasurer/Collector) will send an uncashed check notice to each payee at last known address, including claim form.
- List the unclaimed checks on the Town's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the Town of Seekonk and deemed abandoned." Along with payee names, the notice will detail the

process to claim funds and set a deadline for making a claim not less than 60 days after the initial posting date of the notice on the website.

- For all checks over \$100 still unclaimed after the website deadline, publish a notice of the checks in the local newspaper. This notice will be in the same form as the website posting and state a new claim deadline not less than 60 days after the publication date.
- Schedule a calendar prompt one year after the second publication to review the checks and notify the Town Accountant of all that are still unclaimed at that time.

### *Escheatment*

Upon receipt of either notice from the Treasurer described in “Yearly Review”, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue.

### *Check Claiming*

At any point prior to escheatment, if a payee contacts the Treasurer to claim a check, the Treasurer will review the claim for validity and timeliness. If deemed appropriate, the Treasurer shall submit the claimed amount to the Town Accountant for inclusion on the next disbursement warrant.

### *Audit*

All activity related to tailings is subject to audit by the Town Accountant and the Town’s independent auditor.

## Tax Enforcement

### **Background:**

In order to provide equitably enforcement of tax obligations and set expectations for both the Town and taxpayers, this policy clearly defines when and how the Town will transition unpaid property taxes from tax title through to foreclosure. It is in the best interest of the Town and its residents that property taxes be paid when due. The Town budget is set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

### **Policy:**

The Town of Seekonk intends to timely pursue all legal methods to collect taxes from delinquent property owners with the goal of achieving a target 98 percent property tax collection rate by fiscal year-end. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due. Any costs for collection accrue against

the taxpayer and may add to the property lien. Delinquent taxes represent a lien on property and remain in effect until all taxes, interest, and fees have been paid in full.

#### *Demands*

Final taxes are due to be paid as of May 1<sup>st</sup> each year, the due date for the fourth quarter tax bill. No later than June 1<sup>st</sup>, the Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

#### *Tax Taking*

The Collector will begin the tax taking process within 60 days of the demand notice. State law allows the process to begin as soon as 15 days after the demand, but, in every case, the Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Collector shall carefully document the taking process to preserve the Town's rights for future actions. The Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by September 1<sup>st</sup>, the Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places.

Only cash, certified check, or cashier's check are acceptable forms of payment for taxes that have been published. Within 60 days of the tax taking announcements, the Collector shall prepare an Instrument of Taking for each delinquent property at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Collector will notify the affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument.

#### *Subsequent Taxes*

After the demand bill and before June 30<sup>th</sup> each year, the Collector will certify all unpaid taxes and charges for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and put them in a Subsequent Tax Takings list.

#### *Interest, Fees, and License Revocation*

All delinquent taxpayers are subject to charges, which are added to their accounts by the Collector. These charges include interest accrued to the date of taking, advertising fees, certified mailing costs, legal fees, and Instrument of Taking recording fees.

#### *Tax Title Payment Agreements*

This section is subject to the adoption of a tax title payment agreement bylaw, M.G.L. c. 60, § 62A. The Treasurer will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer will actively monitor compliance with all agreements, which will have the following features in common:

- Signed agreement between the Treasurer and taxpayer



- Upfront payment of at least 25 percent of full balance owed
- Specific amount to be paid each month
- Incorporation of payments for the current tax bill
- Agreement term not exceeding five years
- Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town.

#### *Redemption or Foreclosure*

The primary policy goal of the Town's foreclosure process is to receive the outstanding amounts owed. At least once every year, the Treasurer will review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.

As manager of the service contract, the Treasurer will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

If a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property. In addition to Land Court foreclosure referrals, the Treasurer is responsible for completing foreclosures on any properties below the "Land of Low Value" threshold, which is annually updated each spring by the division of Local Services (DLS).

## Tax Recapitulation Process

### **Background:**

A timely and accurate annual tax recapitulation ("tax recap") helps ensure the Town complies with state statutes, prevents workflow disruptions in its financial offices, and avoids any temporary borrowing costs associated with cash shortfalls. The property tax levy is the Town's largest source of revenue, which therefore makes the tax recap a vital component of the Town's fiscal operations.

The Assessing Department oversees two core phases: property valuation and tax rate setting. However, the full process begins with Town Meeting, involves many other local officials, and requires careful management, teamwork, and cooperation. The tax recap forms and schedules represent the Town's annual budget plan for the fiscal year. They summarize all appropriations made by Town Meeting since the previous year's tax rate was set and identify all non-property-tax revenue sources, such as state aid, local receipts, and reserves.

The difference between these sources and the total budgeted appropriations must be raised through the property tax levy. By completing the tax recap and submitting it to the Division of Local Services (DLS) for approval, the Town establishes its property tax levy and sets the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the recap and approves the tax rate.

### **Policy:**

At the Town Administrator's direction, Seekonk's financial team will annually complete the tax recap process no later than December 15<sup>th</sup>. The Treasurer/Collector will print and mail the actual tax bills no later than December 31. The Town Administrator will develop a realistic plan and timetable to meet these deadlines and keep the Board of Selectmen apprised of progress.

### *Preparation and Town Meeting*

A successful tax recap process starts with a balanced annual budget, valid funding sources, and proper Town Meeting actions, which will be accomplished as follows:

The Board of Selectmen, through the Town Administrator and Town Counsel, will assure the production of a properly written town meeting warrant and motions, such that town meeting voters, under the Town Moderator's oversight, can properly authorize annual budget appropriations that are funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization). The Board of Selectmen will ensure that any annual increase in the tax levy does not exceed the maximum amount allowed under Proposition 2½. The Town Accountant, Town Administrator, and Board of Selectmen will verify that the proposed budget is balanced. The Town Accountant will prepare a schedule of funds available for appropriation by Town Meeting.

The Treasurer/Collector, Town Counsel and Bond Counsel will ensure any debt issuance authorizations are proper. The Board of Selectmen will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum. The Town Administrator, in consultation with Town Counsel and Bond Counsel, will ensure properly written motions for use at Town Meeting.

Whereas the budget is typically adopted at the Annual Town Meeting, all appropriations and borrowings approved at this and other town meetings not recorded in the previous tax rate must be included in the current tax recap process.

#### *Recording Legislative Actions*

To allow time for any required corrective measures, the following tasks will be completed within 30 days of Town Meeting:

The Town Clerk will certify all appropriations approved since the last tax rate was set. The Town Accountant will reconcile all votes and authorized amounts. The Town Clerk will enter town meeting appropriations into the DLS Gateway system (page 4 of the tax recap). From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms as applicable:

- Revolving funds (Form A-3)
- Free cash used (Form B-1)
- Available funds used (Form B-2)

If applicable, the Treasurer/Collector will prepare/sign the Debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).

#### *Tax Recap Entries done after the Fiscal Year-end Closing*

The Town Accountant will continue completing the tax recap by reporting and documenting all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap); recording the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap); entering estimated local receipts using the revenue projections from the final budget approved at Town Meeting (page 3, column (b) of the tax recap).

#### *Property Value Certification*

Assessors must value all taxable real and personal property and must classify each property into one of four classes, residential, open space, commercial/industrial, or personal property, based on use as of January 1<sup>st</sup>.

In order to complete this requirement, the Assessor will complete the following:

- Property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval.
- Analyze market conditions and set final property values in compliance with DLS certification Standards.
- Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the tax recap).
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet).
- Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet).

The Assessor will submit the above forms to DLS for review and certification.

#### *Tax Rate Setting*

After DLS has certified property values, the Board of Selectmen will hold a public hearing to decide tax policy. At this classification hearing, the Board of Selectmen may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes.

Leading to this hearing, the following must be completed:

- The Assessor and Town Accountant prepare an overlay analysis (Form OL-1).
- The Assessor prepares a financial analysis of the various tax alternatives.
- The Board of Selectmen votes on residential, small commercial, and open space exemptions.
- The Board of Selectmen acknowledges excess levy capacity (Form LA-5).
- The Town Clerk attests to notice having been given to taxpayers regarding the public hearing (Form LA-5).

#### *Review and Submittal to DLS*

The Board of Assessors, working through the Assessor, is responsible for submitting all forms and supporting documents to DLS for tax rate approval.

In order to complete this requirement, the following must be completed:

- The Assessor and Town Accountant will review all schedules, verify signatures, and verify that all proper documents are attached.
- The Town Accountant will ensure that all budget authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.

#### *Tax Commitment Creation*

After DLS notifies the Town that the tax rate has been approved, the Assessor will create a tax commitment list and warrant duly signed by the Board of Assessors and refer it to the Treasurer/Collector to generate the actual tax bills to be mailed by December 31<sup>st</sup>.

## Year-End Closing

### **Background:**

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. As an important reserve, the Town's annual free cash cannot be certified expeditiously and accurately unless applicable departments adhere to best practice year-end schedules and procedures.

This policy applies to the responsibilities of all department heads in managing and reporting on their budgets and assets. It further applies to the related year-end compilation, reconciliation, and/or oversight duties of the Town Administrator, Town Accountant, and Treasurer/Collector. Additionally, it pertains to the budget transfer authority of the Board of Selectmen and Finance Committee.

**Policy:**

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy. In turn, the Town Accountant is responsible for overseeing the duties specified here for Finance Department officers. Annually no later than May 15, the Town Accountant will email this policy to all department heads as a reminder of year-end expectations. Subsequently, the Town Accountant will coordinate the various components of year-end tasks under the time frames and procedures outlined below.

All facets of the Town's year-end closing detailed here will be accomplished no later than October 31<sup>st</sup> each year.

*Review of Grant Balances, Other Special Appropriations, and Special Revenue Accounts*

By May 15<sup>th</sup>, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each department head will notify the Town Accountant in writing of any completed project or purpose with an unexpended balance so that the Town Accountant may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Town Accountant in writing, provide funding source(s), and state when it will be resolved so that the Town Accountant can plan for closing the account.

The Town Accountant will carefully review any special appropriation account remaining open but inactive in the general ledger for more than two fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

*Year-end Encumbrances*

By June 1<sup>st</sup>, the Town Accountant will email all department heads advising them to submit all available invoices by June 30<sup>th</sup> and to provide notification of any pending obligations remaining from the fiscal year. With proper documentation, the Town Accountant will only encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), projects (by contracts), or to salary as of June 30<sup>th</sup>.

*Capital Project Reviews, Capital Asset Updates, and Borrowings*

As of March 1<sup>st</sup>, the Town Accountant will review all capital project accounts to ensure that any internal borrowings done in anticipation of short or long-term debt issuances have been covered.

For any identified deficits:

- If debt had been authorized, the Town Accountant will direct the Treasurer to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30<sup>th</sup>.
- If debt had not been authorized, the Town Accountant will refer the shortfall to the Town Administrator to either submit it for a debt authorization or appropriation from available funds by Town Meeting or for a line-item transfer by the Board of Selectmen and Finance Committee.

By June 15<sup>th</sup>, the Town Accountant will distribute via email a capital asset list to department heads along with next-step instructions. By no later than August 1<sup>st</sup>, each department head with capital assets will respond by forwarding to the Town Accountant an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Town Accountant will update the Town's capital asset inventory based on the returned information.

#### *Year-end Transfers*

The Town Accountant, in consultation with the Town Administrator, will pay close attention to any appropriation deficits that may be rectified through line-item transfers. No earlier than May 1<sup>st</sup> and no later than July 15<sup>th</sup>, the Town Accountant will put any necessary transfer request on the Finance Committee's meeting agenda(s), followed by the Board of Selectmen's meeting agenda(s), for their authorizations by majority votes.

#### *Closing the Books*

No later than August 31<sup>st</sup>, the Town Accountant will do the following to close the books:

- Conduct a reconciliation of each fund type in turn, including transfers between funds, and when completed, close each fund.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

#### *Submissions to the Division of Local Services (DLS)*

Submissions by the Town Accountant to DLS will comply with the following time frames:

- Snow and ice data sheet September 15<sup>th</sup>.
- Community preservation surcharge report (CP-1) September 15<sup>th</sup>.
- Combined balance sheet and supporting documents September 30<sup>th</sup>.
- Schedule A November 30<sup>th</sup>.
- Community preservation fund report (CP-2) October 31<sup>st</sup>.
- Statement of indebtedness September 30<sup>th</sup>.
- Treasurer's year-end cash report September 30<sup>th</sup>.
- Cash reconciliation September 30<sup>th</sup>.
- Schedule of outstanding receivables September 30<sup>th</sup>.

## *PROCUREMENT AND PURCHASING POLICIES*

### **Background:**

The Commonwealth of Massachusetts establishes municipal purchasing regulations under M.G.L. Chapter 30B, and other related regulations. The State Inspector General's office has oversight of public purchasing laws and has published a comprehensive guide to Chapter 30B requirements.

### **Policy:**

The Town shall follow the guidance contained in the Inspector General's "The Chapter 30B Manual: Procuring Supplies, Services and Real Property" in order to comply with the requirements of M.G.L. Ch. 30B. To supplement this guidance, the Town Purchasing Coordinator will maintain a concise manual on purchasing procedures for department heads or others involved in Town purchasing or procurement.

Departments are responsible for preparing Purchase Orders for purchases over \$500. Purchase Orders shall be forwarded to the Finance Department for verification of available funds. Departments will attach the purchase order to the account processing form when submitting invoices for payment. Purchase orders will be listed on the account processing form. Departments doing business with new vendors are responsible for obtaining a W-9, Request for Taxpayer Identification Number and Certification, before payments to the new vendor can be made.

## *TREASURER INVESTMENT POLICIES*

### *Investment Policies – General Fund, Stabilization Fund, OPEB Trust Fund, Other Town Funds*

#### **Background:**

A local government's investment policy establishes guidelines and responsibilities in accordance with state law for managing and investing municipal funds.

The Governmental Accounting Standards Board (GASB) recommends the disclosure of key policies affecting cash deposits and other long-term investments to ensure they are managed prudently or are not subject to extraordinary risks.

When assessing municipalities for credit quality, rating agencies look for investment management policies that address selection of financial institutions for services and transactions, risk assessment, investment objectives, investment maturities and volatility, portfolio diversification, safekeeping and custody, and investment performance reporting, benchmarking, and disclosure.

#### **Policy:**

The Treasurer/Collector is responsible for developing and maintain the policies for investing Town funds and will make all decisions regarding their management. The Treasurer/Collector shall invest Town funds in a manner that meets daily operating cash flow requirements and conforms to state statutes governing public funds, while adhering to generally accepted diversification, collateralization, and the prudent investment principles of safety, liquidity and yield. The Treasurer/Collector will also regularly monitor statutory changes governing investments and offer any policy amendments. The Treasurer/Collector will meet with the Town's investment firm to review the quarterly statements. The Treasurer/Collector will meet with the Town Administrator in July and December of each year to review and discuss the Town's investments and strategies.

### *Post-Issuance Tax Compliance Procedure for Tax-Exempt Debt Obligations and Other Tax-Benefited Obligations*

#### **Background:**

Post-issuance compliance procedures are designed to provide for the effective management of a municipality's post bond or note issuance compliance program for tax-exempt and other tax-



benefited bonds in a manner consistent with state and federal laws applicable to such obligations.

**Policy:**

The Treasurer/Collector shall review post-issuance compliance procedures at least annually and implement revisions or updates as deemed appropriate, in consultation with bond counsel or Financial Advisor.

## *APPENDIX 1: SELECTED GLOSSARY OF TERMS*

**Available Funds** – Balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other onetime costs. Examples of available funds include free cash, stabilization funds, overlay surplus, sanitation surplus, and enterprise net assets unrestricted (formerly retained earnings).

**Betterments (Special Assessments)** – Whenever part of a community benefits from a public improvement, or betterment (e.g., water, sewer, sidewalks, etc.), special property taxes may be assessed to the property owners of that area to reimburse the governmental entity for all, or part, of the costs it incurred in completing the project. Each property parcel receiving the benefit is assessed a proportionate share of the cost which may be paid in full, or apportioned over a period of up to 20 years. In this case, one year's apportionment along with one year's committed interest computed from October 1 to October 1 is added to the tax bill until the betterment has been paid.

**Block Grant** – A Block Grant is a Federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities. Recipients are normally state or local governments.

**Bond** – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum

of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year.

**Bond and Interest Schedule Record (Bond Register)** – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue.

**Bond Anticipation Note (BAN)** – Short-term debt instrument used to generate cash for initial project costs and with the expectation that the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be re-issued for up to five years, provided principal repayment begins after two years (MGL Ch. 44§17). Principal payments on school related BANs may be deferred up to seven years (increased in 2002 from five years) if the community has an approved project on the Massachusetts School Building Authority (MSBA) priority list. BANs are full faith and credit obligations.

**Bond Authorization** – The action of town meeting or a city council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor, or selectmen. (See Bond Issue)

**Bond Buyer** – A daily trade paper containing current and historical

information of interest to the municipal bond business.

**Bond Counsel** – An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

**Bond Issue** – The actual sale of the entire, or a portion of, the bond amount authorized by a town meeting or city council.

**Bond Rating (Municipal)** – A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard and Poor's, use rating systems, which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

**Bonds Authorized and Unissued** – Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes, but must be rescinded by town meeting or the city council to be removed from community's books.

**Capital Assets** – All tangible property used in the operation of government, which is not easily converted into cash, and has an initial useful live extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure such as roads, bridges, water and sewer lines; easements; buildings and

building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and a minimum initial cost. (See Fixed Asset)

**Capital Budget** – An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy or rates, and identify those items that were not recommended. (See Capital Asset, Fixed Asset)

**Capital Improvements Program** – A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital program. It coordinates community planning, fiscal capacity and physical development. While all of the community's needs should be identified in the program, there is a set of criteria that prioritizes the expenditures.

**Capital Outlay** – The exchange of one asset (cash) for another (capital asset), with no ultimate effect on net assets. Also known as "pay as you go," it is the appropriation and use of available cash to fund a capital improvement, as opposed to incurring debt to cover the cost.

**Capital Outlay Expenditure Exclusion** – A temporary increase in the tax levy to fund a capital project or make a capital acquisition. Exclusions require two-thirds vote of the selectmen or city council (sometimes with the mayor's approval) and a majority vote in a community-wide referendum. The exclusion is added to the tax levy only

during the year in which the project is being funded and may increase the tax levy above the levy ceiling.

**Chapter 90 Highway Funds** – State funds derived from periodic transportation bond authorizations and apportioned to communities for highway projects based on a formula under the provisions of MGL Ch. 90 §34. The Chapter 90 formula comprises three variables: local road mileage (58.33 percent) as certified by the Massachusetts Highway Department (MHD), local employment level (20.83 percent) derived the Department of Employment and Training (DET), and population estimates (20.83 percent) from the US Census Bureau. Local highway projects are approved in advance. Later, on the submission of certified expenditure reports to MHD, communities receive cost reimbursements to the limit of the grant.

**Contingent Appropriation** – An appropriation that authorizes spending for a particular purpose only if subsequently approved in a voter referendum. Under MGL Ch. 59 §21C (m), towns may make appropriations from the tax levy, available funds or borrowing, contingent upon the subsequent passage of a Proposition 2½ override or exclusion question for the same purpose. If initially approved at an annual town meeting, voter approval of the contingent appropriation must occur by September 15. Otherwise, the referendum vote must occur within 90 days after the town meeting dissolves. The question may be placed before the voters at more than one election, but if not approved by the applicable deadline, the appropriation is null and void. If contingent appropriations are funded through property taxes, DOR cannot approve the tax rate

until the related override or exclusion question is resolved or the deadline passes, whichever occurs first.

**Debt Authorization** – Formal approval by a two- thirds vote of town meeting or city council to incur debt, in accordance with procedures stated in MGL Ch. 44 §§1, 2, 3, 4a, 6-15.

**Debt Burden** – The amount of debt carried by an issuer usually expressed as a measure of value (i.e., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

**Debt Exclusion** – An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

**Debt Limit** – The maximum amount of debt that a municipality may authorize for qualified purposes under state law. Under MGL Ch. 44 §10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, cities and towns can receive approval to increase their debt limit to 10 percent of EQV.

**Debt Policy** – Part of an overall capital financing policy that provides evidence of a commitment to meet infrastructure needs through a planned program of future

financing. Debt policies should be submitted to elected officials for consideration and approval.

**Debt Service** – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

**Enterprise Fund** – An enterprise fund, authorized by MGL Ch. 44 §53F½, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs--are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services. See DOR IGR 08-101

**Free Cash** (Also Budgetary Fund Balance) – Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet

as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts.

**General Obligation Bonds** – Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.

**Levy Limit** – A levy limit is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a city or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion. (See Levy Ceiling)

**Massachusetts School Building Authority (MSBA)** – Administers the state program that reimburses cities, towns, and regional school districts varying percentages of their school construction costs depending on the wealth of the community or district and the category of reimbursement. Projects that received their first reimbursement payment prior to July 26, 2004 will continue to get annual state payments to offset the related annual debt service. Thereafter, cities, towns, and regional school districts will receive a lump sum amount representing the state's share of the eligible project costs... (See DOR IGR 06-101)

**New Growth** – The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include

value increases caused by normal market forces or by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations and other increases by the prior year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit. For example, new growth for FY07 is based on new construction, etc. that occurred between January and December 2005 (or July 2005 and June 2006 for accelerated new growth communities). In the fall of 2006, when new growth is being determined to set the FY07 levy limit, the FY06 tax rate is used in the calculation.

**Non-Recurring Revenue Source** – A one-time source of money available to a city or town. By its nature, a non-recurring revenue source cannot be relied upon in future years. Therefore, such funds should not be used for operating or other expenses that continue from year-to-year. (See Recurring Revenue Source)

**Principal** – The face amount of a bond, exclusive of accrued interest.

**Receipts Reserved for Appropriation** – Proceeds that are earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, parking meter proceeds may be appropriated to offset certain expenses for parking meters and the regulation of parking and other traffic activities.

**Sale of Cemetery Lots Fund** – A fund established to account for proceeds of the sale of cemetery lots. The proceeds may only be appropriated to pay for the cost of the land, its care and improvement or the

enlargement of the cemetery under provisions of MGL Ch. 114 §15.

**Sale of Real Estate Fund** – A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure. MGL Ch. 44 §63 states that such proceeds shall be applied first to the retirement of debt on the property sold. In the absence of such debt, funds may generally be used for purposes for which the city or town is authorized to borrow for a period of five years or more

**Short-Term Debt** – Outstanding balance, at any given time, on amounts borrowed with a maturity date of 12 months or less.

**Special Exclusion** – For a few limited capital purposes, a community may exceed its levy limit or levy ceiling without voter approval. Presently, there are two special expenditure exclusions: 1) water and sewer project debt service costs which reduce the water and sewer rates by the same amount; and 2) a program to assist homeowners to repair or replace faulty septic systems, remove underground fuel storage tanks, or remove dangerous levels of lead paint to meet public health and safety code requirements. In the second special exclusion, homeowners repay the municipality for the cost plus interest apportioned over a period of time, not to exceed 20 years.

**Special Revenue Fund** – Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

**Stabilization Fund** – A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund.